7.0 Service Quality

Competition in the electric service industry is highlighting the importance of a number of issues affecting the nature and quality of customer service. The quality of service(s) provided to electricity customers may be enhanced by competition, if doing so offers service suppliers a competitive advantage. On the other hand, service quality offered to some consumers could decline if utilities focus their attention on those customers most likely to exercise choice, while reducing effort and investment to serve customers less likely to choose alternatives. This dynamic is important regardless of whether full competition is introduced to the retail service market. Experience over the last decade in the telephone industry indicates that, where companies serve both competitive and monopoly customers, service quality tends to improve for the former (typically in urban areas) and decline for the latter (often rural customers).

The Legislature directed the Utilities and Transportation Commission (UTC) and the Department of Community, Trade and Economic Development (CTED) to study current levels of service quality as measured by available statistics, trends affecting quality of service, and ways to achieve high levels of service quality in the future. This section of our report examines the nature and quality of services provided customers by:

- Summarizing the results of a survey completed by Washington utilities.
- Examining trends affecting the service(s) utilities provide to customers.
- Describing a range of strategies the state might employ to ensure high levels of service quality.

For the purposes of this section, service quality is defined as the way in which the utility interacts with and responds to the needs of its customers. This is closely related, although separate from, the issues addressed in the Consumer Protection section (Section 6). That section dealt specifically with consumer rights in utility service and the protections established in ESSB 6560. This section deals with those matters in which the utility has substantial discretion about the services it provides, the way it provides them, and the information it collects and maintains regarding customer services.

Historically, there have been few standards established to govern customer services. The UTC evaluates customer services and utility practices as they are proposed in utility service tariffs, but does not have prescriptive rules covering all areas of service and practice. Each of the consumer-owned utilities offers customer services consistent with the policies and direction of its local commission, council, or governing board. Consumers and consumer advocate groups suggest that, as competition begins to influence utility decisions about customer service, some basic minimum standards may become necessary. They argue that utility customers, particularly those with few or no choices about service-provider, should be able to expect a level of service that meets a uniform and understood minimum standard.

7.1 Current Level of Service Quality: The Survey and Other Research

The agencies designed a set of survey questions to examine the current level of customer service among Washington's electric utilities. The survey focused on the following issues and services:

- The access that customers have to do business with the utility.
- How utilities measure customer satisfaction.
- Performance measurements in answering customer calls.
- Performance measurements in meeting appointment commitments.
- Information about disconnection of customers.
- Power restoration after an outage has been reported, including priority plans.
- Time frames for provision of new service.
- Information about repair orders.
- Information about customer complaints.
- Meter reading and billing errors.

Eighteen utilities completed and returned the survey, although not all were able to provide information in all areas. The agencies also sponsored a workshop in August 1998. Stakeholders at the workshop addressed service quality, including features and characteristics of service quality, strategies for enhancing service quality, and trends affecting service quality.

Workshop participants identified several characteristics of good service quality, including the ability of customers to get what they want when they want it; the ability of the utility to meet evolving customer needs; and the ability of the utility to deal with special customer needs. Workshop participants identified the need for more consumer education, to include more pertinent and useful information from the utilities. They also expressed the concern that different classes of customers desire different kinds of services. Any service quality principles and standards need to take into account the difference between residential and commercial customers, and the differences between large and small utilities. Stakeholders also felt that service quality issues change constantly in a dynamic environment, and that establishment of formal benchmarks may quickly be out-of-date.

The agencies also researched consumer protection policies and procedures throughout the United States in order to compare service quality in Washington with practices in other states. National consumer organizations and the Federal Trade Commission have recommendations regarding consumer service policy and standards to apply in both competitive and mixed competitive/monopoly circumstances. Where relevant, we have described those policies as they pertain to conditions in Washington. The states of Wisconsin and Ohio have recently proposed or adopted policies and rules concerning utility service quality and we have compared these rules to Washington circumstances where relevant.

7.1.1 Customer Access to the Utility

The survey included a number of questions about how customers could access, interact, and communicate with the utility. Table 7.1 summarizes the responses to those questions.

Table 7.1 Utility Responses to Customer Access Questions

Investor-Owned Utilities (3 utilities reporting):

NR = no response.

Issue	Yes	No	N/A
Does the utility maintain, or have agreements with others to maintain, facilities where consumers can conduct business with the utility (service connection, deposit, complaint)?		3	
Does the utility maintain, or have agreements with others to maintain, facilities where consumers can pay bills?	3		
Can customers pay bills by automatic fund transfer (including credit card)?	3		

Consumer-Owned Utilities (15 utilities reporting):

Issue	Yes	No	N/A
Does the utility maintain, or have agreements with others to maintain, facilities where consumers can conduct business with the utility (service connection, deposit, complaint)?	7	8	
Does the utility maintain, or have agreements with others to maintain, facilities where consumers can pay bills?	11	4	
Can customers pay bills by automatic fund transfer (including credit card)?	11	3	1(NR)

Seven public utilities reported maintaining facilities separate from the main business offices where customers can conduct business. For these seven public utilities, customers can pay bills, apply for service, and disconnect or reconnect existing service at these separate locations. No investor-owned utilities reported maintaining such facilities.

Fourteen utilities reported offering locations other than the main business office where customers can pay bills. The nature of these locations varied widely to include grocery stores, drop boxes, banks, and city halls. Utilities report that the need for such remote-access locations is determined by customer comments, customer convenience and, in some cases, by customer surveys. In addition, most utilities accept alternative means of payment such as electronic transfer, electronic fund transfers or credit card payments.

High quality customer service includes ease of consumer access to the utility and utility responsiveness to customer convenience. According to the workshop participants, more accurate and useful information and more effective communication with customers are strategies to help achieve those characteristics.

7.1.2 Measuring Customer Attitudes and Satisfaction

Nearly all utilities reported regularly assessing customer satisfaction, both with the utility and with the service it provides. The ways in which utilities perform their measurements vary. Three of the smaller utilities do so informally through customer comments and interactions with the local community. Most utilities report using either written surveys or telephone surveys, or a combination of both. Table 7.2 summarizes the utility responses to questions regarding measurement of customer satisfaction.

Table 7.2 Measurement of Customer Attitudes and Satisfaction

Investor-Owned Utilities (3 utilities reporting):

Issue	Yes	No	N/A
Does the utility measure customer satisfaction?	3		
Regular telephone or written surveys?	3		
No formal surveys, but informal input at utility office, etc.			

Consumer-Owned Utilities (14 utilities reporting):

Issue	Yes	No	N/A
Does the utility measure customer satisfaction?	13	1	
Regular telephone or written surveys?	11	3	
No formal surveys, but informal input at utility office, etc.	3		

Proposed rules in the state of Wisconsin direct all utilities to make regular quantitative assessments of the satisfaction of all customer classes. The National Consumer Law Center recommends specifically surveying customers who have initiated a request for service, or who have called the utility with a question or concern on their bill. It further suggests that these transaction-based surveys be conducted monthly or quarterly. Workshop participants generally agreed on the importance of surveying customers regularly.

7.1.3 Telephone Answering Performance

Most utilities report they measure staff telephone answering performance. Smaller utilities do this informally by direct supervisory staff. Larger utilities employ automated telephone systems that electronically monitor and report on telephone answering performance. Six of the seven utilities indicating they kept performance statistics summarized those statistics for the survey.

Table 7.3 Telephone Answering Performance Measurement

Investor-Owned Utilities (3 utilities reporting):

Issue	Yes	No	N/A
Does the utility measure telephone answering performance?	3		
Is measurement done quantitatively and systematically?	3		
Are telephone answering response performance statistics maintained?	3		

Consumer-Owned Utilities (14 utilities reporting):

Issue	Yes	No	N/A
Does the utility measure telephone answering performance?	9	5	
Is measurement done quantitatively and systematically?	5	9	
Are telephone answering response performance statistics maintained?	4	10	

The nature of statistics regarding telephone answering varied widely, so general conclusions cannot clearly be drawn. Statistics range from 42 percent of calls answered within 60 seconds to 80 percent of calls answered within 30 seconds. Two large investor-owned utilities reported average speed of answer: one reported 23 seconds and the other 27 seconds. However, these statistics do not appear to measure the average time a customer may be kept on hold waiting for a response.

Proposed service quality rules in the state of Wisconsin specify that utilities must achieve an average answer speed of not more than 90 seconds. The state of Ohio has mandated that utilities maintain an average answer speed of not more than 60 seconds.

7.1.4 Missed Appointments

Only one utility maintains systematic records regarding missed appointments. A missed appointment is one where the utility fails to fulfill an appointment scheduled with the customer at the customer's premises. Puget Sound Energy tracks this statistic as part of its Service Quality Index (SQI) required by the UTC as a condition of the utility's recent merger with the former Washington Natural Gas Company. Also as required under the SQI, Puget Sound Energy compensates customers $50 for each missed appointment. Several public utilities reported that, while they do not systematically track missed appointments, they do note them and offer an average $20 compensation on a case-by-case basis. Two small utilities reported they do not miss appointments, so there is no need to track them.

While not recommending compensation specifically, Wisconsin's proposed service quality rules require utilities to keep records of the number of times and the length of delay caused by missed appointments.

Table 7.4 Tracking Missed Customer Appointments.

Investor-Owned Utilities (3 utilities reporting): Yes No N/

Issue	Yes	No	N/A
Does the utility formally track or monitor missed customer appointments?	1	2	
Is tracking done quantitatively and systematically?	1	2	
Are statistics maintained?	1	2	

Consumer-Owned Utilities (14 utilities reporting):

Issue	Yes	No	N/A
Does the utility formally track or monitor missed customer appointments?		14	
Is tracking done quantitatively and systematically?		14	
Are statistics maintained?		14	

7.1.5 Disconnecting Customers

Six utilities reported that they do not track any statistics regarding customer disconnection. Of the remaining 11 utilities responding to the question, 6 reported they maintain statistics on any and all reasons for disconnection, and 5 reported only keeping statistics on disconnection for non-payment. For these 11 utilities, approximately 66,000 customers were disconnected for non-payment problems during one annual reporting period. This represents about 3.5 percent of the customer base of the eleven utilities reporting this statistic. This represents 2.8 percent of the 2 IOUs' total customers, and for the 9 COUs utilities, it represents 4.2 percent of their total customers.

The utilities were not requested to indicate when disconnection occurred. For investor-owned utilities, Washington law prohibits disconnection of electricity services necessary for space-heating at a residence between November 15th and March 15th for bill payment delinquency (RCW 80.28.010). This prohibition is conditional on the customer fulfilling a number of requirements and conditions specified in the law. A similar policy is established by RCW 54.16.285.

Table 7.5 Tracking Customer Disconnection.

Investor-Owned Utilities (3 utilities reporting):

Issue	Yes	No	N/A
Does the utility track customer disconnection separately for any and all reasons?	1	2	
Does the utility track customer disconnection for non-payment?	2	1	
Did the utility supply statistics on the reason for disconnection?	2	1	

Consumer-Owned Utilities (14 utilities reporting):

Issue	Yes	No	N/A
Does the utility track customer disconnection separately for any and all reasons?	5	9	
Does the utility track customer disconnection for non-payment?	9	5	
Did the utility supply statistics on the reason for disconnection?	9	5	

7.1.6 Restoring Power Outages

Most utilities do not have a formal policy regarding the time frame in which power outages are to be restored. Not surprisingly the utilities report that the response to outage problems depends on the nature of the cause and the amount of equipment needing repair. All report that response times are as quick as possible and more than half provided rough estimates of expected recovery times based on categories of cause. Perhaps more importantly, the survey asked whether the utility has a formal plan in place for prioritizing restoration efforts in the event of major outages. The 3 investor-owned utilities reported having such a plan and 9 of 14 public utilities also reported having a detailed set of restoration priorities. All of the utility plans that were submitted establish restoration of power to health and safety facilities as a first priority, followed by system priorities ordered from transmission facilities at the high end to local neighborhood laterals at the low end.

7.1.7 New Service

Roughly half of the utilities reported that they strive to meet a target time frame for installing new service. All responding utilities noted that the time necessary to install new connections varied by the complexity of the circumstances and whether or not construction was necessary. The survey questions were not sufficiently specific to determine whether the target time frames reported by the utilities represent estimates, or if they represent assurances the utility provides customers when new connection is requested.

The estimated time frames vary, but the majority fall within one to five working days for simple jobs that require no new construction and substantially longer (two to three weeks) for those jobs that do. For jobs requiring construction, 10 working days from the time all conditions are met was typical of the estimates reported.

None of the utilities reported that scheduling of new service connection varied by customer class. However, several noted that residential connections are usually simpler and require less construction and therefore higher voltage commercial and industrial connections often take longer.

Service quality rules enacted by the state of Ohio direct utilities to install 99% of new service requests within 3 business days if no construction is required. When construction is required, Ohio directs that 90 percent of new service requests be met within 10 business days after the customer is ready for service and all necessary tariff and permit requirements have been met.

7.1.8 Repair Requests

Eight utilities track the number and nature of repair requests, typically defined as any problem adversely affecting a customer. While 7 of these indicated that information was being maintained in a database (one small utility keeps requests on file in the office), only 4 were able to generate and report the total number of repair requests covering the last year. As a proportion of total customers, repair requests were typically in the range of four to five percent for these 4 utilities, but differences in the records tracked causes substantial variation in this proportion.

Table 7.6 Customer Requests for Repair or Trouble Services.
Investor-Owned Utilities (3 utilities reporting):

Issue	Yes	No	N/A
Does the utility track customer requests requiring repair service or other service trouble responses?	2	1	
Is the utility able to generate statistics from this tracking?	2	1	

Consumer-Owned Utilities (14 utilities reporting):

Issue	Yes	No	N/A
Does the utility track customer requests requiring repair service or other service trouble responses?	6	8	
Is the utility able to generate statistics from this tracking?	2	4	8

7.1.9 Customer Complaints

Seven utilities track customer complaints. Of these 7, the three investor-owned utilities track complaints to comply with UTC rules (WAC 480-100-096). Only one of the 7 reports tracking informal (phone calls etc.) complaints as well as those filed in writing on customer comment cards or formal letters. As a percentage of total customers, the number of complaints filed ranges from .03 percent to .18 percent for the 5 utilities that supplied statistics. The higher number is for the utility that tracks both formal and informal complaints. These 5 utilities reported a total of 915 complaints, 60 percent of which were billing or collection related.

Several national organizations advocate record-keeping and utility accountability for customer complaints. The National Association of State Utility Consumer Advocates (NASUCA) recommends that "all consumers should have access to an administrative dispute process which provides simple, quick and effective means of resolving complaints." The American Association of Retired Persons (AARP) believes that policies, including those covering dispute resolution, must exist in order to protect consumers.

The National Consumer Law Center (NCLC) recommends that electric suppliers should maintain a dispute resolution process program, keep records on customer disputes, and allow for appeal to a governing body if disputes with the electricity supplier can not be resolved to the customer's satisfaction.

Table 7.7 Utility Tracking of Customer Complaints
Investor-Owned Utilities (3 utilities reporting):

Issue	Yes	No	N/A
Does the utility track customer complaints?	3		
Does the utility track informal complaints, as well as those in filed in writing?		3	
Did the utility provide statistics on complaints?	3		

Consumer-Owned Utilities (14 utilities reporting):

Issue	Yes	No	N/A
Does the utility track customer complaints?	4	10	
Does the utility track informal complaints, as well as those in filed in writing?	1	3	10
Did the utility provide statistics on complaints?	2	2	10

7.1.10 Metering Errors

Twelve utilities indicated they track meter-reading errors, in some cases through automated systems. Nine of these utilities were able to provide statistics on meter reading errors, but the variety of formats used makes summarization and comparison difficult. In most cases, the rate of reading error appears to run below 1 percent of total readings. Washington law provides that customers of investor-owned utilities can request from the UTC testing of the meter serving them and if the meter is found to be more than four percent in error the cost of the test is borne by the investor-owned utility (RCW 80.28.170). UTC rules regarding meter accuracy, testing and complaints are found in Chapter 480-100 WAC. (See Section 6.2.3 for more on metering.)

Table 7.8 Utilities Tracking Meter Reading Errors

Investor-Owned Utilities (3 utilities reporting):

Issue	Yes	No	N/A
Does the utility tracking meter reading errors?	2	1	
Did the utility supply statistics on meter read errors?	2		1

Consumer-Owned Utilities (14 utilities reporting):

Issue	Yes	No	N/A
Does the utility tracking meter reading errors?	10	4	
Did the utility supply statistics on meter read errors?	7	3	4

7.2 Trends Affecting Service Quality

Several trends are beginning to affect the services consumers receive. Recently, some utilities have begun to close local utility business offices that are believed not to warrant the investment it takes to keep them open. Where offices have been closed, utilities have replaced them with payment agencies or drop boxes where customers can make payments but cannot conduct other business. It remains to be seen if the alternative arrangements for customer access to the utility through these payment locations and enhanced reliance on telephone-conducted business will meet consumer needs.

Puget Sound Energy recently curtailed its hours for reconnecting disconnected customers. Citing safety reasons, PSE will provide same-day reconnection only for customers who call before 7 p.m. Customers who call after 7 p.m. will be reconnected the next day. PSE has also proposed, again for safety reasons, that it will not accept cash from the customer at the customer's premises after 5 p.m. Other utilities are reportedly considering similar policies.

While some utilities are reducing access to business offices, many are expanding the number of other services they plan to offer customers. Virtually all of the utilities responding to the service quality survey indicated that they plan to offer new services in the near future.

The utility responses on new service offerings varied greatly in detail, but there was no significant difference among the various types of utilities. The difference seemed more to reflect differences in utility "personality" and sense of role, than to reflect the size or type of utility. In general, utilities described three drivers of new and expanded services and improved service quality: technology, competition, and customer desires. Taken together, the responses show a retail utility industry that is aware that customers are demanding better and new services, aware that new technologies can deliver services that many customers want, and aware that a more competitive environment will put a premium on meeting customer needs.

The survey responses revealed that utilities are typically pursuing the following new customer services:

- Expanded and more user-friendly bill payment and account access services, often using the internet and other new communication technologies.
- Expanded information and consulting service for customer energy efficiency investments.
- Expanding and bundling other utility services, such as internet and telephone.

In the area of expanded and bundled services, some utilities are constrained by law or regulation from providing certain services. While municipal utilities and cooperatives have little restraint to their ability to offer a broad range of utility services, public utility districts have more restrictions. Generally, PUDs are authorized only to provide electricity and water services, although some have offered the use of their excess internet and telecommunications capacity to their customers. The Attorney General recently reviewed the ability of PUDs to offer these services, and concluded that PUDs can install fiber for purposes of their electric business, and sell or lease the excess fiber to public or private entities. This means that PUDs can provide bandwidth for other service providers (internet, telephone, or cable) to use. PUDs cannot, however, directly provide those other services (such as internet or telephone), nor do PUDs have authority to provide natural gas service (AGO 1998 No. 14, November 30, 1998). Investor owned utilities may offer both gas and electric service under UTC regulation and could, with UTC approval, enter the telecommunications business. Utilities with large industrial loads are also planning to offer industrial customers enhanced services, especially in power quality.

Utility responses to open-ended survey questions about new services and future plans indicated that the major area of difference was business strategy and industry role. Some utilities indicated aggressive plans to expand and enhance service in almost all areas already mentioned. Other utilities, especially the smaller ones, report future plans of upgrading basic customer service, such as improving customer access to accounts and easier bill payment.

7.2.1 New Services Offered in a More Competitive Market

The survey responses provide a snapshot of how Washington utilities view both their current responsibility to customers and new marketing opportunities. The survey does not tell us what trends might develop if there were to be a significant move to more open retail markets. To find out where electricity restructuring and greater competition might lead us, we examined the information that exists regarding electricity markets that have opened and the experience of other industries that have gone through significant deregulation and restructuring. The following is a brief summary of some of the experience with open, retail access in California and elsewhere.

7.2.2 Experience in California's Retail Market

Under any scenario of open retail electricity markets, consumers face two fundamental changes in the availability and quality of electricity products and services. First, there are more products and services. Second, a new and constantly changing set of providers is available to supply those services.

California is experiencing an expansion of new products and services being marketed directly to consumers. Most of these are services that were previously bundled as part of integrated, regulated utility electricity services. Examples of services that are being offered separately, or as "rebundled" packages include: energy, metering, billing, and demand-side management and energy efficiency.

Competitive suppliers have developed a range of offerings for each of these products. For example, meters are offered for sale or lease by the monopoly distribution utility, new electricity providers and independent vendors. Customers who stayed with their old utility still have utility-owned meters. Billing is now almost completely sub-contracted to separate companies, and customers have a range of billing options from which to choose. Consumer-driven energy management and energy efficiency are being offered either as bundled or unbundled products and services. Utilities are providing both new energy management services along with traditional conservation programs, such as insulation, HVAC and building efficiency services, and window, furnace, appliance and motor replacement. New technology allows suppliers to remotely control the electricity usage of residential and business customers, and to reduce or increase usage according to diurnal and peak pricing schemes. This enables the supplier to offer a mix of pricing and reliability. All of these services can also be bought separately from companies that don't provide electricity. Finally, a number of entrepreneurs have explored bundling electricity with other utility services, such as phone, internet and cable TV.

As dynamic as the California electricity market has become, it remains the case that the changes described above have yet to affect most consumers. There is a significant difference between the services being offered to large customers and those being offered to small customers. Large customers, especially industrial companies and very large commercial customers, have received much more sophisticated service offerings than small and residential customers, as well as significant price

advantages. Some large customers have responded favorably to “green power” offers and some businesses are starting to use their purchases of environmentally friendly energy as part of their own marketing campaigns. As a result, more large customers – about 25 percent of those eligible - have switched electricity providers than have small and residential customers, of whom less than five percent have switched suppliers.

These developments exemplify the issue raised in the introduction of this section. Competition may tend to focus provision of service options and attention to customer service for the most profitable and competitive customers. The general lack of interest on the part of small commercial and residential customers is likely both a cause and consequence of the lack of new service options being offered to them. This is a sector that may not offer concentrated profit opportunities and takes considerable marketing skill and cost to reach.

7.2.3 New Businesses and Suppliers in a Competitive Market

While new products and services are important, the emergence of new players in the electricity market is of equal importance. In California, any company that wants to sell electricity to small consumers must register with the California Public Utility Commission, but the options for consumers are not as numerous as originally anticipated. As of early October 1998, 36 service providers were registered, but this had declined from several hundred that had initially registered. While the mix of registered providers includes large multi-national energy companies, co-operatives, small businesses and non-profit agencies, some of the largest, including Enron, have since dropped out. Some of these are energy service companies (ESCOs) that moved from providing energy efficiency and other services to providing electricity as well. California has chosen to require registration of these new market entrants to ensure that services provided to small customers are reliable, safe, and as advertised. Existing and new companies have also moved into the billing and metering market, providing some service directly to customers but mainly by acting as contractors to existing utilities and new energy providers. While registration and certification of competitive providers is more properly a consumer protection issue (see Section 6, above), it has an important service quality element: In a competitive environment, who will the consumer call for service questions? Clarifying roles and responsibilities for ensuring non-discriminatory network reliability may also be an important concern for all industry participants.

7.2.4 Consolidation and Mergers

While retail electricity competition is too new in other states to assess fully their experience, one additional national trend has become clear: consolidation of existing utility companies. Many mergers and acquisitions in the electricity industry as well as in the telecommunications industry have taken place during the past few years. Most of these mergers are also too recent to allow for any systematic studies to be done of their effect on service quality, but they do raise concerns that too much consolidation may reduce the effectiveness of competition.

In Washington, the 1996 merger of Puget Sound Power and Light with Washington Natural Gas prompted a number of consumer and labor interests to raise concerns about the service quality impacts of the merger. The UTC shared the view that the merger should not result in a deterioration of service for the customers of either utility. As a condition of the merger, the UTC approved a stipulation which, in part, required the merged company to establish a "Service Quality Index" (SQI). The SQI establishes performance benchmarks and monitoring in areas such as telephone center answering performance, gas safety response time, customer disconnection, missed appointments, and survey-measured customer satisfaction with the call center, field services and overall utility performance. Puget Sound Energy's performance is measured against benchmarks annually. Failure to meet the performance standards can result in monetary penalties. In addition, the stipulation included a "customer service guarantee" which provides compensation to individual customers who do not receive a minimum standard of service.

7.2.5 Lessons from Other Industries

Deregulation and restructuring in other industries, notably natural gas, long-distance telephone, airlines and railroads are often cited as indicators of what is likely to happen to electricity. In all of these industries, there has been a decline in average service prices. However, some areas – particularly rural areas — have seen a decline in services and an increase in prices. Some hard-to-serve areas see service providers leave and the level of service decline. Rural areas also tend to lag behind urban areas in the availability of new services. Telecommunication service quality and service availability in rural Washington are examples, as are the reduced number of transportation options available in rural areas of Washington and other states.

The deregulation of long-distance telephone service has led to lower prices, more reliable service, and more service options. At the same time, billing and rate structures have become more and more complex, consumers complain about incessant marketing, and actual service providers are obscured by the introduction of new "brands" of telephone service. ("The Formerly Staid Ma Bell Hatches a Secret Offspring," *The New York Times,* October 7, 1998). This raises the question of whether it is possible to have the benefits of improved technology and lower prices without the costs of greater pricing complexity and more unwanted and confusing marketing.

7.3 Strategies to Ensure High Service Quality

Both the prospect of competition and the reality that some competition for customers is beginning to occur may combine to place pressure on the quality of customer services. The state has an important interest in the quality of electric service because electricity is an essential service. If the Legislature determines that minimum service quality standards should be established, at least two alternative strategies are available. As elsewhere in the report, the discussion and description of strategies below does not imply a recommendation on the part of CTED or the UTC.

1. *Focus on administrative flexibility and local decision-making. The Legislature could determine the general areas in which consumer service quality standards are to be established and principles these standards should achieve. The UTC could establish specific and measurable service quality standards for investor-owned utilities, while locally elected councils, commissions, and boards of the consumer-owned utilities could establish standards for the utilities they regulate.*

   Argument For: Establishes a statewide policy concerning customer service, but provides for specific standards to be established that match varying circumstances and consumer preferences across the state.

   Argument Against: Variation in local decisions could result in the quality of customer service varying widely across the state and being subject to competitive pressures that could result in diminished service to some customers.

2. *Focus on uniform statewide minimum standards. The Legislature could establish specific and comprehensive customer service quality standards to be achieved by all electric utilities in the state. The UTC and the consumer-owned utility boards, councils, and commissions could implement standards established by the Legislature.*

   Argument For: Establishes uniform statewide standards. Utilities have an incentive to meet the standards cost-effectively for all customers. Incentives to reduce services to some customer groups in favor of others are removed.

   Argument Against: Does not recognize the variety of circumstances facing utilities across the state nor the differing expectations or values of consumers across the state. A one-size-fits all approach is likely to be very difficult to implement practically. It could impose significant and unnecessary costs on small utilities, and could be too prescriptive to encourage innovative approaches to consumer services.

If retail electric service competition is broadly implemented in Washington a third strategic path may be possible.

3. *Focus on mixture of uniform standards and competitive innovation. The Legislature could establish a set of minimum service quality standards and competitive supplier licensing standards. Energy service providers would have to meet minimum performance rules, but could compete by offering additional services at competitive prices.*

   Argument For: Establishes uniform statewide standards for all energy service providers, whether they are existing utilities or new market entrants. Competitive retail markets may stimulate energy providers to innovate and offer additional services competitively.

Argument Against: While minimum statewide standards will ensure that competition is not based on reducing service to those with the fewest service choices, it also fails to recognize that consumer expectations and values vary across the state. If such standards are established they should not be one-size-fits-all.

Under a more market-oriented system, policy makers might leave much of service quality to the marketplace in the expectation that electricity service providers would compete on service quality as well as price and resource mix. California has adopted a mixture of regulation— setting some standards for all energy service providers, especially in the residential sector — and competition— allowing providers to offer wide variation in service quality with commensurately wide variations in price, especially in the industrial sector. Should a more competitive environment develop, a service quality threshold may still be necessary to ensure that all providers offer adequate service, both to ultimate consumers and to other providers who deliver services over a common network. Performance-based benchmarks could be established to ensure that basic service does not deteriorate as a result of any changes in the industry.

7.3.1 Measuring Customer Service Quality

It is difficult to draw reliable conclusions about service quality in Washington from the information collected for this study. With few service quality standards in place and an extraordinarily wide variety of utilities, collection of data regarding service quality varies substantially in scope and content across the state. Development of effective policy strategies to encourage high service quality may require more detailed and comparable measurement of service quality performance. In order to assess consumer needs and develop strategies to resolve problems, for example, it may be helpful to track consumer complaints. In both measurement and application of service quality standards, there may be some tension between establishing minimum levels of service and ensuring continued local control of most of Washington's diverse utilities. As discussed above, it may be possible to balance these objectives through the use of broad standards and principles at the state level with flexibility for local implementation.

One strategy for measuring and enhancing service quality is the use of a service quality index. This is a performance-based approach in which measurable service quality performance indicators are tracked, evaluated, and in some cases linked to a regulated utility's allowed revenues. The service quality index approach is recommended by the National Consumer Law Center. Developing an effective service quality index requires judgment as to what types of service quality indicators can be measured reliably and at a reasonable cost. Table 7-9 includes sample service goals, standards, and evaluation criteria that could be used to construct a service quality index.

Table 7.9 Example Service Quality Goals and Standards

Service Goal	Standard	Track & Evaluate
Customers are satisfied with their utility service.	Annual written and/or telephone surveys to measure customer satisfaction.	Results of customer satisfaction surveys.
Utility responds to and resolves customer complaints in a timely manner.	Utilities respond to customer complaints within a specific time. Also require a maximum number of complaints per number of customer.	Number and type of customer complaints received directly by the utility from the customer. Also length of time the utility takes to respond to the complaint.
Customer convenience in bill payment.	A specific number of payment agencies per number of customers or requiring alternative payment options.	If customers have convenient places for in-person payment, where those are located, if customers can use automatic deduction from checking accounts, and internet payments.
Customer convenience in accessing account information.	Toll-free access for all customers and requiring specific billing information.	If customers have convenient telephone inquiry or internet access, and if customers have clear and meaningful billing information.
Electric outages do not last long and installation of new service is quick.	Maximum length of time a utility can take to restore service after an outage and maximum length of time a utility can take to provide new service.	Length of time utilities take for restoration of electricity service after an outage, and for the provision of new service.
Customers receive a quick response to their telephone calls to the utility.	Minimum answering speed , minimum number of calls answered within 60 seconds, and maximum number of unanswered calls.	Utilities' telephone monthly answering performance by measuring such things as average speed of answer and percentage of calls answered within 60 seconds.
Customers receive response to repair requests within a reasonable period of time.	Maximum time between a customer repair request and repair by the utility.	Length of time between the customer repair request and repair by the utility.
Utilities do not receive an unreasonable number of repair requests.	Maximum number of repair requests per number of customers.	Number of repair requests per number of customers.
Utilities do not miss appointments made with customers.	Maximum number of missed appointments per number of customers, and requiring compensation for missed appointments.	Number of missed appointments per number of customers.
Utilities make minimal billing errors.	Maximum number of billing errors per number of customers.	Number of billing errors per number of customers.
Utilities supply and maintain accurate meters and meter readers.	Maximum number of meter errors per number of customers.	Number of meter errors per number of customers.

Endnotes for Section 7.0

[1] National Association of State Utility Consumer Advocates (NASUCA): Proposal for Consumer Bill of Rights; May 19, 1998.

[2] Federal Trade Commission (FTC): Response to the Utah Public Service Commission Request for Comments on Consumer Protection in Docket No. 96-999-001, Report to Electrical Deregulation and Consumer Choice Task Force; July 15, 1998.

[3] State of Wisconsin: Proposed electric utility service quality rules; March 1998. State of Ohio: Electric Service and Safety Standards; date unknown. State of Maine: Proposed electric consumer protection rules; August 25, 1998.

[4] National Consumer Law Center and Barbara Alexander: "Consumer Protection Proposals for Retail Electric Competition;" October 1996.

[5] National Association of State Utility Consumer Advocates (NASUCA): Proposal for Consumer Bill of Rights; May 19, 1998.

[6] American Association of Retired Persons (AARP): "Is Electric Utility Restructuring a Bright Idea for Consumers?" 1997.

[7] National Consumer Law Center and Barbara Alexander: "Consumer Protection Proposals for Retail Electric Competition;" October 1996.

[8] Green Buyers Beware: A Critical Review of "Green Electricity" Products, Rader, Nancy. Public Citizen. Washington D.C., October 1998.

[9] National Consumer Law Center and Barbara Alexander: "Consumer Protection Proposals for Retail Electric Competition;" October 1996.